

Service Charge Survey December 2020

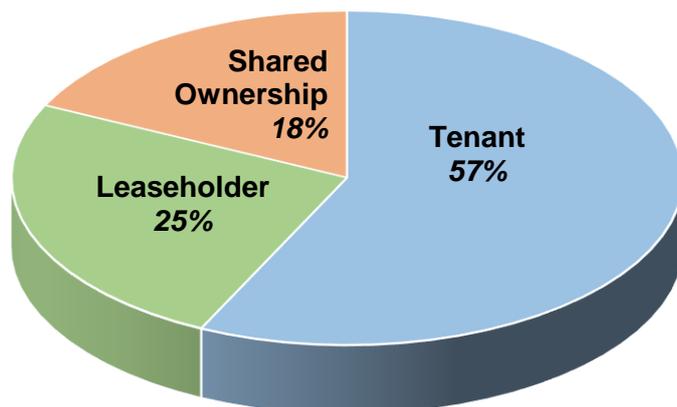
Section One: Introduction

Since its formation, SHAC has received frequent and sometimes shocking reports about problems with service charges. We wanted to build a picture of the problem so that we could do something about it, and asked tenants and residents to help us by completing a survey.

The survey was applicable to housing association tenants, leaseholders and shared ownership residents. It asked about overcharging, undercharging, supplier cost increases and decreases, and billing. Responses have been amalgamated and anonymised.

The survey ran from the 5th November to the 1st December 2020, and was promoted through the SHAC mailing list, Twitter and Facebook, as well as the Facebook pages of several housing association and housing campaign groups. It was also circulated through the mailing lists of other housing campaign groups.

Respondents by Tenure (%)



Three large housing associations featured in particular. Almost one third were from **Clarion. Hyde** and **Sanctuary** were also predominant.

The remaining respondents were more or less evenly spread across a range of large associations including Southern, Peabody, NHG, MTVHA, Catalyst and A2Dominion, with a scattering from smaller landlords.

Tenants represented almost 60% of respondents, with leaseholders at around 25% and Shared Owners at just under 20%.

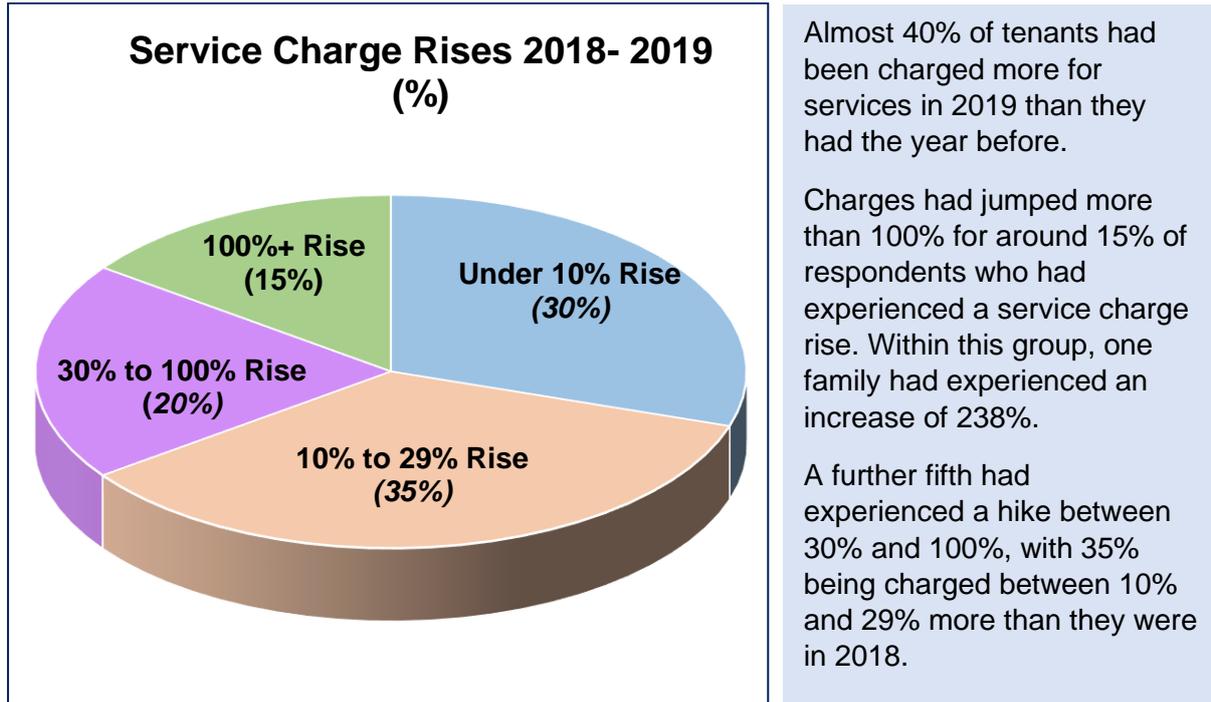
Section Two: Headline Summary

- **Around 40% of tenants and residents had experienced service charges increases which vastly outstripped inflation.** Service charge bills had more than doubled between 2018 and 2019 for around 15% of respondents. More than a third of respondents had to meet a 10% to 29% rise in bills over the same period. A further third had to meet service charge increases ranging between 30% and 100%.
- **Around 52% of respondents had been overcharged compared to just 16% who had ever been undercharged.** The error rate in favour of the landlord is therefore more than three times higher than it is in favour of the tenant or resident.
- **There was also a large discrepancy in the size of overcharging errors compared to undercharging errors.** Errors which increased the bill between 1% and 10% were found in 12% of cases, between 11% and 50% of the bill were present in a third of cases, between 51% and 100% of the bill in almost half the cases, and 12% of respondents had errors which more than doubled their bill. By contrast, none of the undercharging errors exceeded 20% of the bill. The highest amount overcharged was £6,000. The highest amount undercharged was £800.
- **Tenants and residents who pay their bills struggle to get reimbursed if an error is identified.** Around 70% of overcharged respondents had not yet been reimbursed, and around 35% were still battling between 12 months and two years after the billing date. In all cases of undercharging, the landlord had recouped the loss.
- **Landlords are far more likely to pass on supplier cost increases than efficiency savings resulting from reduced supplier costs.** In both cases, the financial benefit leans toward the landlord. Around 5% of respondents had been informed of efficiency savings, but only a quarter of these received lower bills as a result. By contrast, a fifth of respondents had been informed of supplier cost increases, all resulting in higher bills.

Section Three: Charts and Analysis

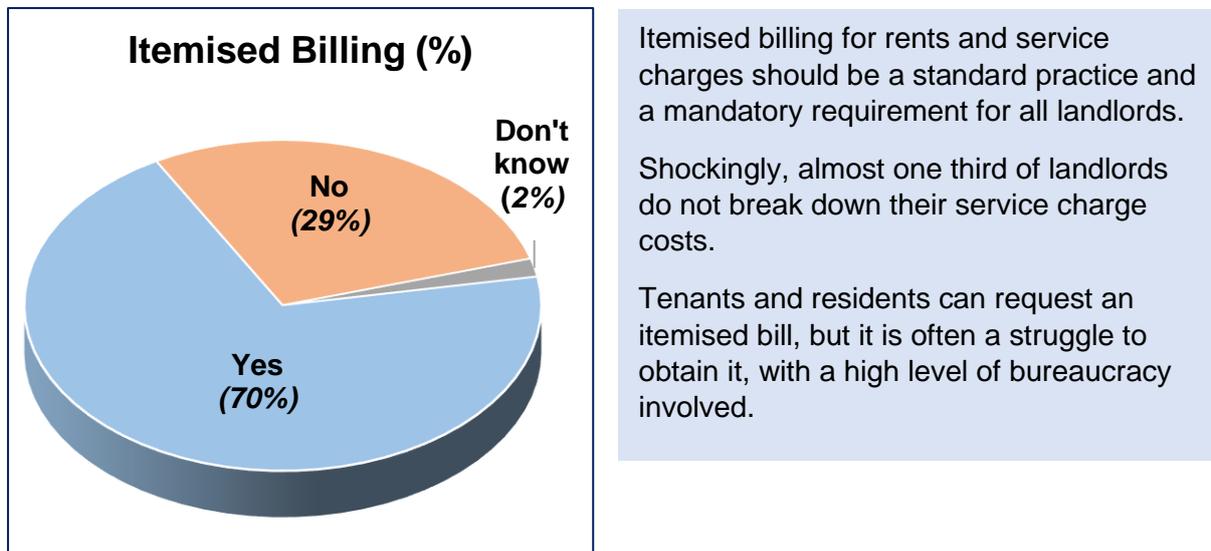
Service Charge Rises 2018 to 2019

The survey asked tenants to identify their services charges for 2018 and 2019.



Itemised Billing

The survey asked *Is your bill itemised - ie. does it show a breakdown of how the overall amount is made up?*



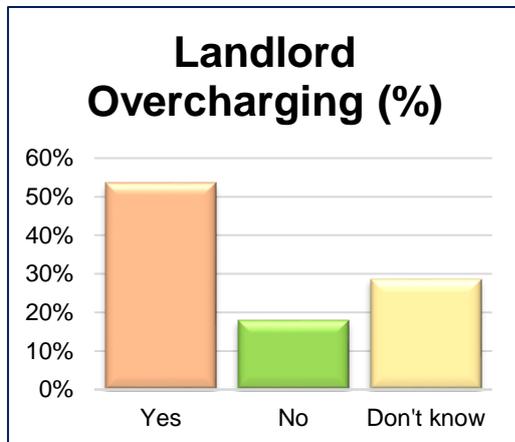
Service Charge Overcharging and Undercharging

Overcharging Occurs when tenants or residents are charged more for a service than necessary. This would include cases where a landlord confirm an was an 'error', where tenants or residents are charged more than once for the same service, or where they are charged for a 'phantom' service that has never been provided.

Undercharging is defined as a case where a landlord notifies a tenant or resident of an 'error' which resulted in them paying less than the correct amount, for example omitting to charge for a service that the tenant or resident received.

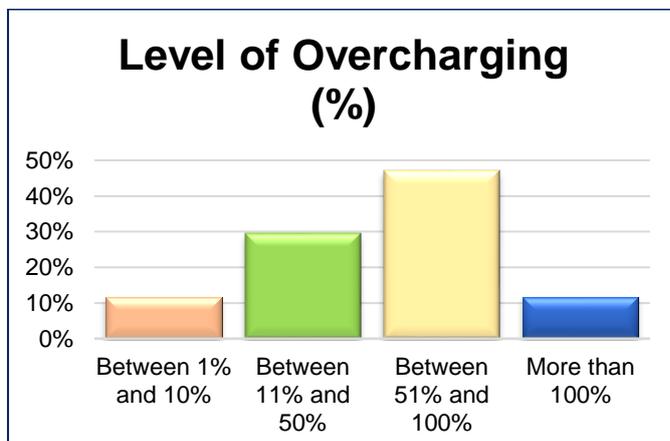
The survey asked

- *Have you ever been overcharged by your landlord for services?*
- *Approximately what percentage did the overcharged amount represent compared to what it should have been?*
- *Were you able to get the overcharging corrected?*
- *If it was reimbursed, how long did it take to get it back? (Approx number of weeks)*



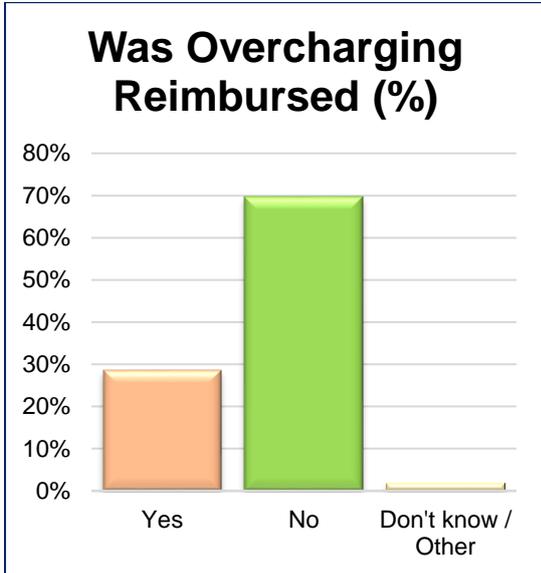
Of those who had received itemised bills, a shocking 52% had found overcharging, with just 19% able to state definitively that it had not happened.

Almost one third of respondents had not examined their service charge bills.

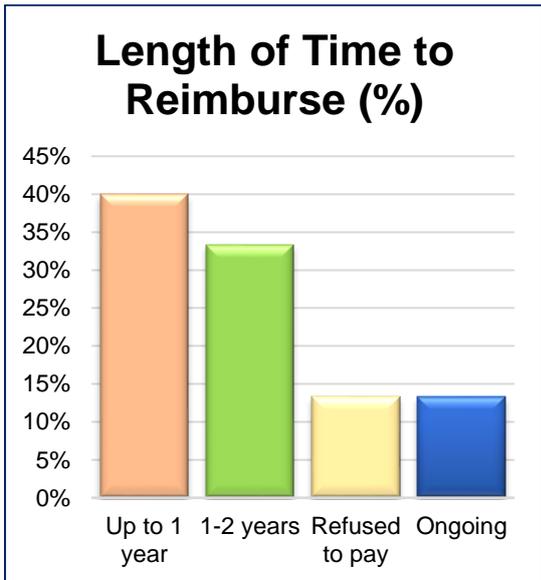


The degree of overcharging is staggering. Overcharging had inflated the bill by amounts between 51% and 100% of its true cost in 45% of cases.

In a further 12% of cases, the 'error' had more than doubled the size of their service charge bill.



Once the overcharging is identified, tenants and residents face another battle to get a refund. The vast majority, 70%, said that this had not yet happened, with less than a third being able to confirm that it had.



Nor do landlords refund what is owed in a timely manner. Around 40% of respondents had to wait up to one year before reimbursement, and almost 35% had been battling between one and two years.

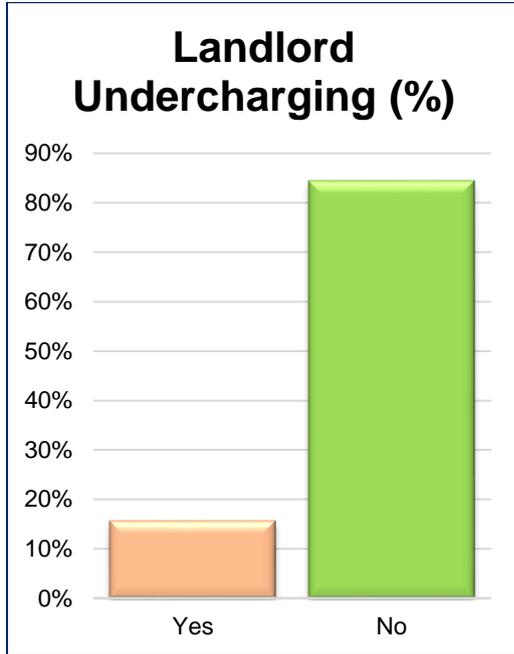
Around 13% of respondents had opted not to pay until the 'error' had been addressed.

It is worth comparing these timescales to the converse position, where a tenant owes the landlord rent. In broad terms, after just eight weeks, the landlord can seek repossession and the order would be granted automatically if the landlord can prove the claim.

Service Charge Undercharging

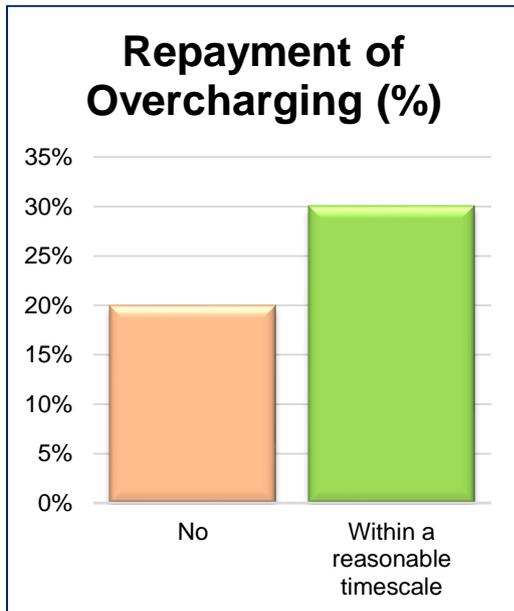
The survey asked

- *Have you ever been undercharged by your landlord for services*
- *Approximately what percentage did the undercharged amount represent compared to what it should have been?*
- *Were you asked to make it up?*



Around 84% of respondents said that they had never been undercharged, compared to 16% who had. None of the respondents said they were unsure or didn't know.

All respondents in the 'Yes' category had been undercharged by a value representing less than 20% of the bill.



Around 20% of respondents who had been undercharged had not been asked to pay it back.

Of those who had, all considered the recovery timescales reasonable.

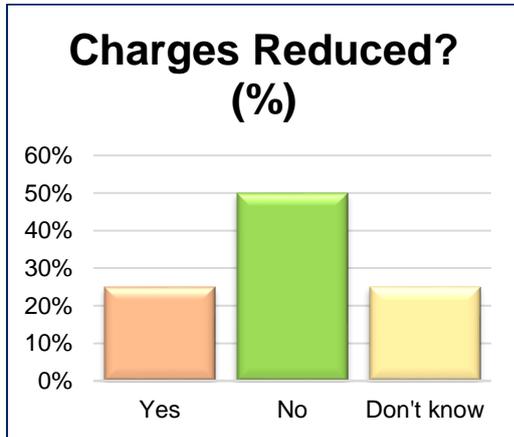
Supplier Costs

The survey asked:

- *Have you ever had a letter from the landlord saying they have found a cheaper supplier for a service?*
- *Did they reduce the service charge as a result?*



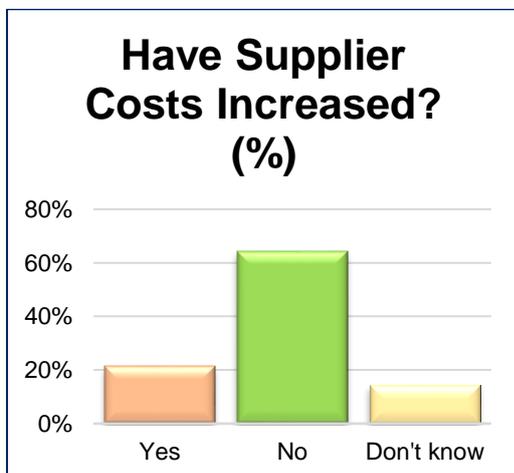
Just 5% of respondents had been informed by their landlord that a cheaper supplier of goods or services had been identified.



Nonetheless, only a quarter of landlords reduced the bills in such cases. In at least half of all cases, the landlord pocketed the difference.

The survey asked

- *Have you ever had a letter from the landlord saying a supplier has increased their costs for a service?*
- *Did the landlord increase the service charge as a result*



Inevitably, landlords were far more likely to write to tenants and residents to inform them that suppliers had increased costs (21%).
 In every single case, the tenants and residents reported that the costs had been passed on.

Conclusion

The survey suggests that landlords are profiteering from regularly erring in their own favour when it comes to service charging. Overcharging is more likely, and when it happens, it is likely to have a bigger impact on the bill than when the error is in the tenant's favour. Further, landlords are less likely to refund the overpayment. When refunds are given, it can take up to two years to receive it.

The scale of overcharging compared to undercharging, and difference in the size of over / under 'errors', makes it impossible to believe that the errors are genuine.

Profiteering is also evident in managing supplier costs. When supplier's costs reduce, the landlord is less likely to pass the change on than when they increase. There was not a single case of a housing association failing to increase tenant and resident service charges when a supplier's costs went up.

It is clear that housing associations are failing badly on managing their service charges, and that they appear to consider this activity to be a legitimate and surplus generating income stream.

At present, tenants and residents are disadvantaged by:

- Bills not being itemised, meaning it is difficult to identify whether they are being correctly charged for services.
- Where bills are not itemised, it is difficult to get this addressed without a protracted and draining battle with the landlord.
- High levels of overcharging, beyond what might be considered a reasonable rate of error.
- No power to enforce swift refunds when they are overcharged.

Some landlords are clearly worse than others; Hyde, Clarion and Sanctuary also feature heavily in the complaints received by SHAC, and it was not therefore surprising to find their predominance amongst respondents' landlords.

However, across the sector it is evident that tenants and residents are getting a raw deal, and the ability of housing associations to manage this aspect of their business responsibly is questionable. Far more needs to be done to improve transparency and fairness, redressing the balance in favour of tenants and residents rights.

Measures could include for example:

- Mandatory itemised billing with supplier receipts;
- Set timescales for refunds;
- Mandatory reporting through regulatory returns on overcharging and undercharging errors;
- Automatic reporting to a regulatory body when overcharging exceeds a certain level;
- Automatic compensation to tenants and residents (beyond like-for-like refunds) when overcharging occurs;
- Automatic compensation to tenants and residents when landlords are slow to reimburse tenants after overcharging; and
- A mandatory requirement to pass on efficiency savings to tenants and residents when supplier costs reduce.

It is only through such measures that the system of service charging can be made transparent, and tenants and residents can be sufficiently empowered to address errors.

SHAC will now consult tenants and residents on the findings in this report.

SHAC

December 2020